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MEMO

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What is amusing to me, with experience in intelligence, investigative procedures, industrial and commercial competition, and foreign countries, is that the basic principle of both our Army War College and the Command and General Staff College couldn't be hotter when they discuss policy on the type of situation here.

"Great quantities of information received by counter-intelligence and security staffs are valueless, are biased, deliberately designed to mislead, unreliable or prejudiced. Therefore, information must be checked and double checked before any credibility may be given."

Yet here, the Navy, based on allegations and reports which are cock-eyed, merely on casual examination, have black-listed an important outfit with all the armed forces, to the disadvantage of the national scientific potential and are eliminating a source of foreign scientific knowledge and know-how.

Here is a specific example of the type of reports involved but a very recent one divulged to the Dutch Government and traced down to source.

A perfect example of the insidious and unfounded poison campaign conducted against the Philips Companies here and abroad is of recent vintage, and I believe can be easily traced within the State Department.

A recent confidential report with distribution in Washington from the U.S. Legation in Budapest, Hungary, states without revealing source that the legation is informed that the Dutch Philips Company plans to build a ten million dollar radio tube factory at Rozenov, Czechoslovakia, near Zilina. This report was taken up by the U.S. State Department with the Dutch Government at The Hague.

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The Dutch Government incidentally, we are reliably informed, came back rather strongly on our Embassy in The Hague stating that this was untrue, ridiculous, and an example of the stupid, unfounded, and ridiculous poison campaign being conducted against Philips by U.S. Government agencies mostly the U.S. Navy and was apparently the result of communist efforts or those of Philips' major competitors for world markets. The Dutch Government, incidentally, told the U.S. Embassy they were damned sick of it and were, as a matter of fact, making official protest on the whole matter to the American Government.

The actual facts make this report so absurd as to prove the pattern and purpose of all similar efforts. The Soviets only recently seized all Philips factories, plants, and companies in Hungary without payment, compensation, or notice, along with other properties of Dutch and U.S. nationals. The Czechoslovakian Government already under the 1946 laws took over all the Philips properties in Czechoslovakia and merged them under the Tesla organization, a 100 per cent Government-owned organization of the normal Soviet and Communist design. In the New York Czechoslovakian Trade Show in 1948 in Rockefeller Center, Philips found its own old designed Philips radio sets and tubes exhibited under the Tesla brand. No compensation, payment, royalties, etc., have ever been received or even discussed by the Czechoslovakian Communist Government even though the Dutch Government have made claims and representations on same.

So it is evident that Philips would be out of their mind if they planned to spend a dollar much less ten million dollars in putting up a plant or factory for the Communists. In addition, the small town of Rozenov and its present facilities and potentialities complete a ridiculous story.

Efforts on the part of the Dutch Government and Philips to trace this report in Budapest led either to personnel of the communist controlled subsidiary of I.T.T. or from I.T.T. direct. I.T.T. is a major competitor of Philips.

It is believed that the State Department could easily trace this report which initiated from Budapest in October or November 1949 and insist on knowing the actual name and connections of the original source or sources. The Dutch Government reports they believe the source gave the story to the Navy Attache, C.I.A. representative or one of his informers, or to the Commercial Attache of the U.S. Legation in Budapest.